



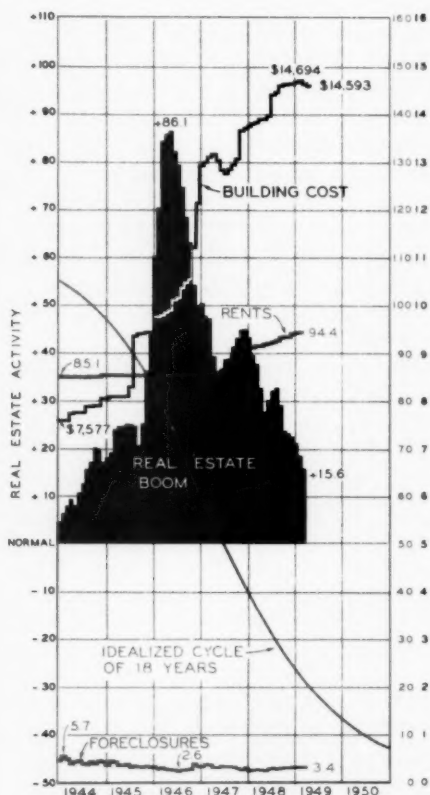
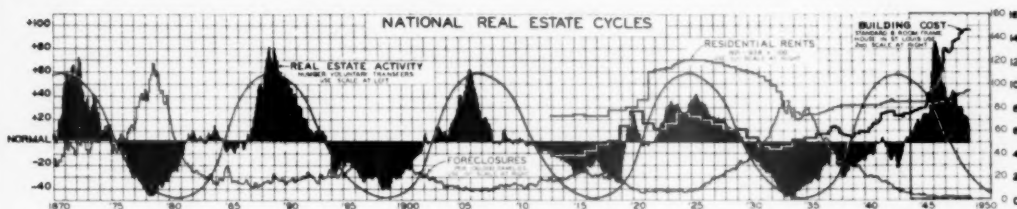
The Real Estate TRENDS

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 19



REAL ESTATE ACTIVITY

Again this month we are publishing the long real estate cycle at the top of the page, with the boxed-in portion of the chart reproduced in larger scale in the chart on the left of the page.

Preliminary figures for March show that national real estate activity took another step down toward the normal line. From the February reading of 18.3 points above normal, real estate activity declined to 15.6. While this activity is the lowest since the middle of 1944, it is, nevertheless, about on a par with the activity enjoyed during most of 1928. In other words, we are still in a real estate boom.

We have remarked several times that we expected some halts or even mild recoveries in real estate activity. So far they have not developed and the index is falling faster than we guessed it would in our forecast issues of January 1948 and January 1949. We have not lost faith in this guess, however, and believe that some sort of leveling off or mild recovery will occur before we definitely enter a real estate depression.

REAL ESTATE MORTGAGE ACTIVITY

We have just completed our regular semi-annual survey of mortgage activity in forty different cities. This survey showed that above average activity in the mortgage field was still more or less confined to the Southern and Western cities. The Eastern cities showed a tendency to be below the national average, while the cities of the Midwest followed the national average rather closely. In all of the high activity cities except two, however, the mortgage activity index showed a decline during 1948. The two exceptions were Atlanta, where activity during 1948 rose briskly, and Houston, where activity held even with the 1947 level.

The national mortgage activity index for February, the last month for which data are available, stood at 152.6. This is a drop of 9 points from its January reading of 161.6, and represents the biggest drop since September 1948. The index is 20% below the February 1948 reading of 190.6.

FORECLOSURES

In March the foreclosure index showed a reading of 3.4 foreclosures per 100,000 nonfarm families. This is the same level the index has occupied for the last four months. As a matter of fact, the foreclosure index has done very little except remain at an extremely low level for several years.

CONSTRUCTION COSTS

Construction costs in St. Louis have finally started down slowly, and we expect to see a continuance of this decline. From their peaks, the average construction costs of the seven buildings shown in this bulletin have declined only 7/10 of 1%. At their peak it would have cost \$543,256 to build one each of the seven buildings. In April this cost would have dropped \$3,876 to a figure of \$539,380. The declines in costs have been brought about by small drops in the price of lumber and some plumbing and heating items.

A comparison between the peak costs and present costs of each building appears below:

	Peak Cost	Present Cost	Decline	% decline
30-family apartment	\$303,062	\$300,290	\$2,772	9/10 of 1%
18-family apartment	143,182	142,725	457	3/10 of 1%
Commercial building	46,709	46,356	353	7/10 of 1%
6-room brick	14,834	14,799	35	2/10 of 1%
6-room frame	14,694	14,593	101	7/10 of 1%
5-room brick veneer	13,099	12,977	122	9/10 of 1%
California-type bungalow	7,676	7,640	36	4/10 of 1%

These declines are certainly not particularly important, but their significance lies in the fact that they are declines and not increases.

RESIDENTIAL CONSTRUCTION

In our October 1948 Trends Bulletin we estimated that between 160,000 and 170,000 nonfarm dwelling units would be started during the first quarter of 1949. The preliminary official figures have been released and show an estimate of 158,000 units put under construction during the

first three months of 1949. By figuring to the midpoint of our October estimate (165,000) we missed the guess by 4%. Since these figures are usually revised upward, there is a chance that the first quarter's construction totals will show an increase later on in the year. The Bureau of Labor Statistics revised their estimate of the total number of starts in 1948 from 926,800 nonfarm dwelling units to a new total of 931,300. This is less than 1% below the record of 937,000 set in 1925. At present, residential construction is running 12% below the 1948 first quarter total, but is 14-1/2% ahead of the total started during the first quarter of 1947. We believe that the second quarter of this year will see the usual seasonal increase in the number of units started. Our guess made last October of between 260,000 and 270,000 for the second quarter of 1949 may be a trifle high. In order to achieve this total, an increase of 68% over the total starts during the first quarter would be necessary. Last year the second quarter showed an increase of only 65% over the first quarter, so it seems unlikely that a greater increase will develop during the second quarter of 1949.

RESIDENTIAL RENTS

The residential rent index continues to inch up very slowly. The latest figures, February 1949, place the index at 94.4% of the average 1921-1938 period.

In other words, rents are still 5.6% below this normal. Although the rent control laws were made more stringent in several ways, two provisions give some hope of relief in isolated cases. These are the "home rule" provision and the "reasonable return" provision. Both may open the way for some relief, but we do not expect too much. If property owners could somehow through their different organizations help formulate the procedure by which "reasonable return" is determined, their cause might be helped considerably.

INDIRECT LABOR IN 6-ROOM FRAME HOUSE

We have had many requests from our subscribers for figures on the amount of indirect labor that goes into building a house. This indirect labor, carried back one step, amounts to the number of

hours necessary to extract, produce, fabricate and transport all of the various materials that go into the construction of a house.

On the back page of this bulletin we show the number of indirect labor hours necessary to furnish the various materials that go into our standard six-room frame house. These figures include, for instance, the hours necessary to extract and transport the iron ore, limestone, coal and other products that go into manufacturing steel, as well as the hours necessary to complete the manufacture and transportation of the finished steel products. In lumber products, the figures start with felling the trees and include all the production and transportation labor necessary to bring these products to the building site. The figures go back only one step and do not include the labor necessary in producing the tools of production. In other words, we do not figure the labor necessary to produce the saw with which the trees are felled, or the ore boats in which iron is transported.

The total number amounts to 1948 of these indirect hours on our standard six-room frame house. This figure, added to the 2379 hours expended at the building site in erecting the house, totals 4327 hours necessary to process our six-room house, all the way from the raw material to the finished product.

173

INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



SIX-ROOM BRICK HOUSE (FRAME INTERIOR)*

Content: 23,100 cubic feet
1,520 square feet

Cost 1939: \$ 6,400

(27.7¢ per cubic foot; \$4.21 per square foot)

Cost today: \$14,799

(64.0¢ per cubic foot; \$9.74 per square foot)

INCREASE OVER 1939 = 131.0%



FIVE-ROOM BRICK VENEER HOUSE*

Content: 24,910 cubic feet
1,165 square feet

Cost 1939: \$ 5,440

(21.8¢ per cubic foot; \$ 4.67 per square foot)

Cost today: \$12,977

(52.0¢ per cubic foot; \$11.13 per square foot)

INCREASE OVER 1939 = 139.0%



SIX-ROOM FRAME HOUSE*

Content: 25,376 cubic feet
1,650 square feet

Cost 1939: \$ 5,894

(23.2¢ per cubic foot; \$3.57 per square foot)

Cost today: \$14,593

(57.5¢ per cubic foot; \$8.85 per square foot)

INCREASE OVER 1939 = 148.5%



6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT

Content: 12,119 cubic feet
992 square feet

Cost 1939: \$3,117

(25.6¢ per cubic foot; \$3.14 per square foot)

Cost today: \$7,640

(63.1¢ per cubic foot; \$7.71 per square foot)

INCREASE OVER 1939 = 146.0%

*Costs include full basement.

INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)



COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet

8,075 square feet

Cost today: \$46,356

(40.0¢ per cubic foot; \$5.74 per square foot)



18-FAMILY BRICK APARTMENT (FRAME INTERIOR)*

Content: 168,385 cubic feet

13,260 square feet

Cost 1939: \$ 60,300

(35.8¢ per cubic foot; \$ 4.55 per square foot)

Cost today: \$142,725

(84.7¢ per cubic foot; \$10.75 per square foot)

INCREASE OVER 1939 = 137.0%



30-UNIT REINFORCED CONCRETE APARTMENT*

Content: 303,534 cubic feet

21,372 square feet

Cost 1939: \$135,000

(44.5¢ per cubic foot; \$ 6.33 per square foot)

Cost today: \$300,290

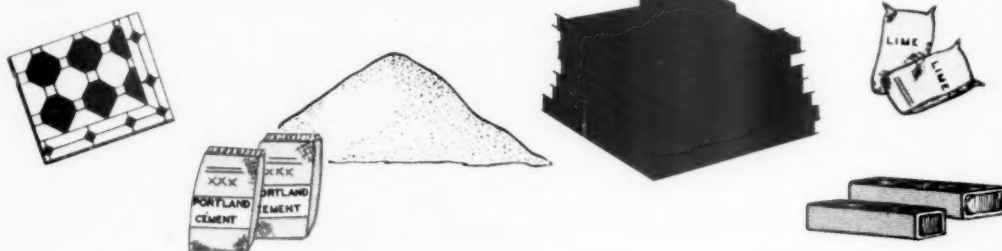
(99.2¢ per cubic foot; \$14.05 per square foot)

INCREASE OVER 1939 = 122.5%

*Costs include full basement.

INDIRECT LABOR HOURS IN STANDARD SIX ROOM FRAME HOUSE

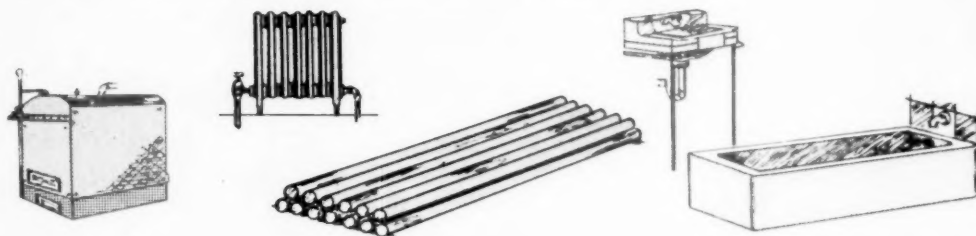
MASONRY MATERIALS - 301 HOURS



LUMBER AND MILLWORK MATERIALS - 1,214 HOURS



PLUMBING AND HEATING MATERIALS - 245 HOURS



MISCELLANEOUS MATERIALS - 188 HOURS



TOTAL FOR HOUSE = 1,948 HOURS